

## Message Text

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ACTION COME-00

INFO OCT-01 EA-07 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01

CIAE-00 DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

/095 W

-----028834 080922Z /13

R 080715Z AUG 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 3428

INFO USMISSION GENEVA

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USMTN ALSO FOR USMISSION

E.O. 11652: N/A

TAGS: ETRD, GATT, RP

SUBJECT: MODIFICATION OF SERVICES RESTRAINTS IN THE MTM

REF: STATE 180221

1. PARA 4 REFTEL ASKS IF "ALL NON-LIFE INSURANCE COMPANIES WERE REQUIRED TO REDUCE, EFFECTIVE FROM 1/1/73, THEIR CESSIONS TO UNAUTHORIZED FOREIGN REINSURERS BY NOT LESS THAN 20 OF THEIR 1972 CESSIONS." LOCAL INSURANCE FIRMS TELL US THAT THE BARRIER TO TRADE IN SERVICES QUOTED ABOVE WAS PUT INTO EFFECT. IN ADDITION, SINCE JANUARY 1973, THE GOP INSURANCE REGULATORY AGENCY HAS INSTITUTED ADDITIONAL MEASURES ACTING TO RETAIN THE REINSURANCE BUSINESS WITHIN THE PHILIPPINE MARKET.

2. FURTHERMORE, A DRAFT PRESIDENTIAL DECREE HAS RECENTLY BEEN CIRCULATED WHICH CALLS FOR THE ESTABLISHMENT OF A PHILIPPINE NATIONAL REINSURANCE CORPORATION, ANOTHER  
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VEHICLE TO CHANNEL THE REINSURANCE BUSINESS TOWARD PHILIPPINE SOURCES. WE UNDERSTAND THAT UNCTAD HAS BEEN ACTIVE IN ADVISING THE GOP IN THIS AREA.

3. IN REPLY TO INFO SPECIFICALLY REQUESTED IN PARA 2 OF REFTEL: (A) THE INTENDENT OF THE RESTRAINT IS TO CHANNEL AS MUCH REINSURANCE BUSINESS INTO LOCAL FINANCIAL

MARKET AS THAT MARKET WILL BEAR. NONE OF THESE REGULATIONS DISCRIMINATE AGAINST "FOREIGN" AS OPPOSED TO "FILIPINO" INSURANCE FIRMS, AND THE ENTIRE INDUSTRY HAS RESISTED THESE REGULATORY MEASURES (SO FAR UNSUCCESSFULLY); (B) LOCAL INDUSTRY SOURCES HESITATE TO PUT A DOLLAR VALUE ON THIS RESTRAINT BUT SINCE PHILIPPINE INSURANCE BUSINESS IS DOMINATED BY U.S. FIRMS, MUCH OF REINSURANCE BUSINESS WOULD BE GIVEN TO PARENT OR CORRESPONDENT FIRMS IN U.S. IF POSSIBLE; (C) EMBASSY KNOWS OF NO OTHER SIGNIFICANT RESTRAINTS ON SERVICES PRACTICED BY GOP; (D) LOCAL U.S. INSURANCE EXECUTIVES BELIEVE IT FUTILE TO APPROACH GOP ON THIS ISSUE THROUGH MULTILATERAL FORUM. THEY POINT OUT THAT TREND HAS BEEN CLAR FOR OVER FOUR YEARS NOW, AND WHILE LOCAL INSURNACE FIRMS DO NOT REPEAT NOT LIKE IT, THEY CAN LIVE WITH IT. IN ADDITION, THERE IS CONCERN AMONG U.S. INSURANCE EXECUTIVES HERE THAT USG ACTION WILL GENERATE COUNTER-PRESSURES FROM GOP WHICH WILL BE DETRIMENTAL TO U.S. PARTICIPATION IN INSURANCE FIRMS IN THE PHILIPPINES.

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## Message Attributes

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**Review Markings:**  
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